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Approved by:

Charles T. Alexander

U.S. Embassy, Jakarta

Prepared by:

Anita Katial-Zemany/Ninieck S. Alam

Report Highlights:

Production in MY01/02 reached approximately 6,160 thousand bags and it is expected to decline to 5,830 thousand bags in MY02/03. Low coffee prices, high cost of production and long dry season (El Nino) are blamed for the production decline and quality concerns. Exports of green coffee beans reached 4,700 thousand bags in MY01/02 and are forecast to decline to approximately 4,500 thousand bags in MY02/03.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION AND OUTLOOK

Production

Indonesian coffee production continues to decline due to low farmgate prices, which discourages farmers from improving their farming practices. El Nino weather conditions have delayed the start of the rainy season, which has impeded cherry formation causing declines in coffee bean production. Production in MY01/02 (April-March) reached nearly 6,160 thousand bags (60 kg each) and is projected to decline to 5,830 thousand bags in MY02/03. Approximately 87 percent of coffee production in Indonesia is of Robusta type and 13 percent is of Arabica type. The Arabica type is planted in limited high altitude areas. Nearly 55 percent of Indonesian coffee beans are produced on the island of Sumatra, in the regions of South Sumatra (27% of production), Lampung (12% of production), Bengkulu (8% of production), North Sumatra (7% of production), and Aceh (6% of production).

Over 90 percent of coffee production is managed by smallholder farmers who own 2 ha or less. Low farmer income, high prices for agriculture inputs, and high cost of plant maintenance, discourage farmers to properly maintaining their plantations. Yields have been declining from 437 kg/ha in MY00/01 to 420 kg/ha in MY01/02 and are projected at 397 kg in MY02/03.

Because of financial difficulties, farmers pick beans prior to maturity, which result in low yields and poor quality beans. Low grade coffee beans do not meet the new ICO standard (see policy section), which requires exported beans to have low moisture content and low number of defective beans.

The Government of Indonesia (GOI), in coordination with the Indonesian Coffee Exporters Association (AEKI), work with targeted local government groups to encourage farmers to plant high yielding coffee (Robusta variety) and continue expanding Arabica plantations in suitable high altitude areas.

Consumption

To meet Indonesian consumer preference, most ground roasted coffee beans are blended with roasted corn or rice. Domestic green coffee bean consumption (4 kg/capita/annum) is comparable to average world consumption (4.6 kg/ capita/annum). Total domestic consumption is estimated at 1,465 thousand bags for MY01/02. Based on expectations for improving economic conditions and increasing numbers of small scale coffee processors, total domestic consumption is forecast to reach 1,500 thousand bags in MY02/03. The new ICO quality standard and tripartite commitment with India and Vietnam on export retention, have indirectly restrained exports. ICO programs aim at balancing coffee bean supply and demand. The AEKI views Indonesia as a market opportunity for coffee and is working towards launching a marketing program geared at increasing domestic coffee consumption.

Prices

As with continuing declines in robusta coffee bean prices on the international market, US\$ 26.4 cents/lb (in coffee year October/September 2001/02) compared to US\$ 29.9 cents/lb (2000/01), farmgate prices continue to suffer due to the abundant supplies available on the world market and relatively stronger local currency (Rp. 9,043/\$US in mid November 2002 compared to Rp.10,200/\$US in January/February 2002).

Current Robusta prices in the major producing area of South Sumatra range from Rp. 2,800/kg to Rp. 3,200/kg (US\$ 311/MT to US\$ 356/MT). Other producing areas such as Medan (North Sumatra) have higher bean quality and preferable aroma - known as specialty coffee - achieved higher farmgate prices for their coffee beans at Rp. 4,000/kg or US\$ 444/MT (Robusta) and Rp. 17,000/kg or US\$ 1,889/MT (Arabica). International prices were quoted at US\$ 558/MT (Robusta) and between US\$ 2,050/MT to US\$ 2,075/MT (Arabica). The average import price for green coffee beans during January-May, 2002 was US\$ 367.2/MT (CIF) while imported roasted coffee was US\$ 2,420/MT (CIF).

Stocks

Because farmers want higher prices for their beans, their stocks tend to grow as they hold on to larger volumes, anticipating that farmgate prices will increase over time. Post estimates ending stocks at 186 thousand bags in MY01/02 to increase to 191 thousand bags in MY02/03. The implementation of the new ICO export standard and retention program that will be effective in 2003 for Indonesia, is also likely to be a factor in increasing stock levels.

Trade

Approximately 80 to 85 percent of the total coffee production is exported. The new ICO standard for coffee beans restricts grade VI beans for export, as grade VI beans require a moisture content that is not higher than 12.5 percent and bean defects that are not more than 150 beans per 300 grams (Robusta) and 86 beans per 300 grams (Arabica). ICO has agreed to delay the implementation of the standard for Indonesia until next year. Exporters have already made commitments for transactions with their buyers until March 2003. As a result, exports of green coffee are forecast to decline to 4,500 thousand bags in 2002/03, compared to 4,700 in MY01/02. The new ICO standard is expected to negatively impact exports, as farmers are unlikely to make quick progress towards meeting new ICO requirements.

Imports are dominated by green coffee beans, as roasted beans account for only 1 percent of total imports. Imports are forecast to reach 205,000 bags, to cover production shortfalls and meet industry demands for blending. In CY02, Vietnam was a major supplier of green coffee beans to Indonesia, supplying 76 percent in the first five months.

Trade Policy

Based on Ministry of Industry and Trade Decree No. 575/MPP/Kep/VIII/2002 dated August 6, 2002, exports of coffee (roasted, unroasted, decaffeinated or not) covered under Harmonized System code 09.01, 09.09, and 21.01 are regulated. Thus, exporters are required to report their export realization to the Ministry of Industry and Trade.

Indonesia, India and Vietnam agreed to cooperate to try to improve robusta coffee prices (the lowest in the last 30 years), by holding their stocks levels--Vietnam (300,000 MT), Indonesia (100,000 MT), and India (50,000 MT). In addition, the GOI and the coffee exporters association (AEKI) are also encouraging farmers to improve their bean quality in line with the International Coffee Organization (ICO) Resolution No. 407, to meet the ISO 6673 standard. The program is not mandatory and is aiming at harmonizing international coffee standards by improving coffee quality and controlling supply, and was effective October 1, 2002. However, this effective date was postponed for Indonesia until 2003 (no specific date/month have been determined).

Coffee retention program

Following the tripartite agreement with Vietnam and India, the GOI is allocating approximately US\$ 40 million to buy 100,000 MT of coffee beans from Indonesian farmers. The fund will be provided by three state banks--Bank Ekspor Indonesia, Bank Rakyat Indonesia, and Bank Central Asia. This program goal is to increase coffee prices to approximately US\$ 0.9/kg.

SECTION II - STATISTICAL INFORMATION AND TABLES

Table 1. Production, Supply and Demand: Coffee, Green

PSD Table						
Country:	Indonesia					
Commodity:	Coffee, Green			Unit: 1000 of 60 Kg Bags		
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		04/2000		04/2001		04/2002
Area Planted	1150	1150	1100	1100	1100	1100
Area Harvested	891	891	880	880	880	880
Bearing Trees	1310	1310	1250	1250	1250	1250
Non-Bearing Trees	210	210	180	180	180	180
TOTAL Tree Population	1520	1520	1430	1430	1430	1430
Beginning Stocks	287	287	86	86	156	186
Arabica Production	455	455	480	495	480	485
Robusta Production	6040	6040	5500	5665	5300	5345
Other Production	0	0	0	0	0	0
TOTAL Production	6495	6495	5980	6160	5780	5830
Bean Imports	165	165	200	129	200	200
Roast & Ground Imports	10	10	5	5	5	5
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	175	175	205	134	205	205
TOTAL SUPPLY	6957	6957	6271	6380	6141	6221
Bean Exports	5494	5494	4700	4700	4500	4500
Roast & Ground Exports	42	42	30	29	30	30
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	5536	5536	4730	4729	4530	4530
Rst,Ground Dom. Consum	1300	1300	1350	1430	1400	1465
Soluble Dom. Consum.	35	35	35	35	35	35
TOTAL Dom. Consumption	1335	1335	1385	1465	1435	1500
Ending Stocks	86	86	156	186	176	191
TOTAL DISTRIBUTION	6957	6957	6271	6380	6141	6221

Note: "Old" column is FAS/Washington data. For FAS/Jakarta's previous PS&D see ID2002.

**Table 2-a: Coffee (Green) Export
Calendar Year (January-May) 2002**

Export Trade Matrix			
Country:	Indonesia	Units: K 60 Kg Bags	
Commodity:	Coffee, Green		
Time period:	Jan-May		Jan-May
Exports for	2001		2002
U.S.	189	U.S.	321
Others		Others	
Japan	375	Japan	438
Germany	181	Germany	363
Poland	112	United Kingdom	130
Singapore	85	Italy	99
Malaysia	62	Singapore	95
Italy	60	Poland	94
Bulgaria	45	Malaysia	85
Romania	38	Romania	61
Egypt	34	South Africa	57
United Kingdom	33	Morocco	56
Morocco	33	Belgium	54
South Africa	28	Bulgaria	54
Algeria	22	Rep. of Korea	50
Belgium	20	Georgia	43
Rep. of Korea	20	Egypt	30
Netherlands	20	Spain	30
Total for Others	1,168	Total for Others	1,739
Others not listed	196	Others not listed	291
Grand Total	1,553	Grand Total	2,351

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 2-b: Coffee (Green) Export
Marketing Year (April-March) 2000/01 and 2001/02**

Export Trade Matrix			
Country:	Indonesia	Units: K 60 Kg Bags	
Commodity:	Coffee, Green		
Time period:	Apr-Mar		Apr-Mar
Exports for	2001		2002
U.S.	560	U.S.	702
Others		Others	
Japan	1,069	Japan	1,020
Germany	841	Germany	615
Poland	428	Italy	207
Italy	330	Poland	199
Philippines	225	Singapore	180
Singapore	225	Malaysia	175
Rep. of Korea	207	United Kingdom	155
Bulgaria	199	Bulgaria	137
United Kingdom	193	Belgium	132
South Africa	188	South Africa	107
Malaysia	140	Romania	102
Belgium	100	Morocco	101
Egypt	97	Egypt	76
Romania	96	Netherlands	67
Spain	71	Rep. of Korea	59
Georgia	61	Georgia	57
Total for Others	4,470	Total for Others	3,389
Others not listed	464	Others not listed	609
Grand Total	5,494	Grand Total	4,700

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 3-a: Coffee (Roasted) Export
Calendar Year (January-May) 2001 and 2002**

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Jan-May			Jan-May
Exports for:	2001			2002
U.S.	0		U.S.	4
Others			Others	
Japan	3		Taiwan	3
Singapore	2		Japan	2
Taiwan	2		Singapore	2
Malaysia	2		Malaysia	1
India	2		Poland	1
Poland	1		Vietnam	1
Total for Others	12		Total for Others	10
Others not listed	2		Others not listed	1
Grand Total	14		Grand Total	15

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 3-b: Coffee (Roasted) Export
Marketing Year (April-March) 2000/01 and 2001/02**

Export Trade Matrix			
Country:	Indonesia	Units: K 60 Kg Bags	
Commodity:	Roasted Coffee		
Time period:	Apr-Mar		Apr-Mar
Exports for:	2001		2002
U.S.	0	U.S.	1
Others		Others	
Japan	11	Taiwan	6
Singapore	7	Malaysia	4
Taiwan	7	Japan	4
Malaysia	6	Singapore	4
India	3	Poland	4
Poland	3	Vietnam	1
Vietnam	1	Saudi Arabia	1
United Kingdom	1		
Total for Others	39	Total for Others	24
Others not listed	3	Others not listed	4
Grand Total	42	Grand Total	29

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 4-a: Coffee (Green) Import
Calendar Year (January-May) 2001 and 2002**

Import Trade Matrix			
Country:	Indonesia	Units: K 60 Kg Bags	
Commodity:	Coffee, Green		
Time period:	Jan-May		Jan-May
Imports for	2001		2002
U.S.	0	U.S.	1
Others		Others	
Vietnam	51	Vietnam	64
Lao People's Democratic Rep.	5	Batam	7
Micronesia (Federal States of)	4	Lao People's Democratic Rep.	5
East Timor	3	East Timor	3
Cote d'Ivoire	3	Malaysia	1
Thailand	2	Japan	1
Batam	1		
Japan	1		
Trinidad & Tobago	1		
Total for Others	71	Total for Others	81
Others not listed	2	Others not listed	2
Grand Total	73	Grand Total	84

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 4-b: Coffee (Green) Import
Marketing Year (April-March) 2001 and 2002**

Import Trade Matrix			
Country:	Indonesia		Units: K 60 Kg Bags
Commodity:	Coffee, Green		
Time period:	Apr-Mar		Apr-Mar
Imports for	2001		2002
U.S.	1	U.S.	2
Others		Others	
Vietnam	64	Vietnam	73
Batam	31	East Timor	23
Lao People's Democratic Rep.	20	Batam	19
Micronesia (Federal States of)	20	Lao People's Democratic Rep.	4
Trinidad & Tobago	12	Trinidad & Tobago	2
Peru	4	Malaysia	1
Japan	3	Japan	1
Cote d'Ivoire	3		
Thailand	3		
Total for Others	160	Total for Others	123
Others not listed	4	Others not listed	4
Grand Total	165	Grand Total	129

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 5-a: Coffee (Roasted) Import
Calendar Year (January-May) 2001 and 2002**

Import Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Jan-May			Jan-May
Imports for	2001			2002
U.S.	1		U.S.	0
Others			Others	
Malaysia	4		Malaysia	0
			Singapore	0
Total for Others	4		Total for Others	0
Others not listed	0		Others not listed	0
Grand Total	5		Grand Total	1

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 5-b: Coffee (Roasted) Import
Marketing Year (April-March) 2000/01 and 2001/02**

Import Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Apr-Mar			Apr-Mar
Imports for:	2001			2002
U.S.	2		U.S.	0
Others			Others	
Batam	4		Malaysia	5
Singapore	1		Singapore	1
Malaysia	3			
Total for Others	8		Total for Others	6
Others not listed	0		Others not listed	1
Grand Total	10		Grand Total	7

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

The following table presents data on the development of total coffee exports during MY1997/98 through MY2002/2003 from the Central Bureau of Statistics (processed by the Association of Indonesian Coffee Exporters or AEKI- Asosiasi Eksportir Kopi Indonesia).

Table 6: Indonesian Coffee Exports
(in Metric Tons)

Months	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003*)
April	25,354	14,401	25,412	18,075	20,972	25,670
May	35,723	14,752	34,940	33,180	30,229	23,580
June	45,429	36,327	32,002	41,720	37,446	24,937
July	39,141	50,975	33,652	41,902	40,018	26,455
August	34,191	49,631	33,562	42,827	39,741	17,302
September	33,263	41,791	30,610	34,901	29,762	1,505
October	28,978	33,256	27,374	29,004	23,540	
November	17,411	20,002	17,715	22,232	19,996	
December	21,766	20,342	14,517	17,448	17,024	
January	14,393	16,394	11,336	16,578	15,391	
February	15,626	17,144	14,329	17,468	16,795	
March	19,105	22,495	14,444	21,427	18,848	
TOTAL Apr-Mar	330,380	337,510	289,893	336,762	309,763	119,450
in K 60 kg bags	5,506	5,625	4,832	5,613	5,163	1,991
Source: The Ministry of Industry and Trade (MITI), based on the Certificate of Origin Forms (Surat Keterangan Asal or SKA document from the Directorate of Export, MITI). Processed by AEKI, Jakarta, November 2002.						
Note: *) preliminary figures.						

Table 7: Indonesian Coffee Exports by Quality
(in Metric Tons)

Indonesia: Quality Composition of Exported Coffee (Combined Robusta and Arabica)			
Coffee Year (October-September)	% High Grades (1& 2)	% Medium Grades (3 & 4)	% Low Grades (5 & 6)
1997/1998	11.35	71.65	17.00
1998/1999	14.19	70.18	15.63
1999/2000	14.44	68.52	17.04
2000/2001	14.64	67.11	18.25
2001/2002	16.56	68.67	14.77
Source: Indonesian Coffee Exporters Association (AEKI: Asosiasi Ekportir Kopi Indonesia), Jakarta, November 2002.			
Note: Percentage calculated by weight, combined dry and wet processed.			

Table 8: Indonesia 's Export and Import of Coffee
 (Calendar Year: January - December)
 In Metric Tons/US\$

Year (Jan-Dec)	Export			Import		
	Volume	Value	Unit Price	Volume	Value	Unit Price
	Metric Tons	US\$ (FOB)	US\$/MT	Metric Tons	US\$ (CIF)	US\$/MT
1997	316,230.99	529,670,514.00	1,674.95	10,332.13	14,321,189.00	1,386.08
1998	363,015.25	615,778,524.00	1,696.29	3,045.11	4,498,265.00	1,477.21
1999	358,018.25	488,759,506.00	1,365.18	3,045.07	3,778,983.00	1,241.02
2000	345,625.03	339,876,257.00	983.37	3,778.98	12,139,064.00	3,212.26
2001	254,752.83	203,524,255.00	798.91	8,933.33	7,294,347.00	816.53
2002 *)	181,668.19	127,188,177.00	700.11	5,477.60	3,159,406.00	576.79
Source: Trade by SITC, Central Statistics Agency (BPS-Badan Pusat Statistik), Indonesia, Processed by FAS/Jakarta.						

Table 9: Exchange Rate

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8370	8891	9483	9524	9385
2001	9488	9914	10460	12117	11423	11436	9744	9045	9696	10358	10476	10450
2002	10383	10222	9655	9316	8785	8730	9108	8867	9015	9233	8985	
Source: Central Statistics Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper. Note: - March 2002 exchange rate is quoted for March 28, 2002 - June 2002 exchange rate is quoted for June 28, 2002 - November 2002 exchange rate is quoted for November 19, 2002 - BPS data available up to Feb 2002												

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